EXHIBIT 1

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My anger over Lehmans' $5 billion ' **betrayal** ' of **London**
Talking for the first time, a senior insider at the bank that went bust describes the fear that grew in the final months, the arrogance of the bank's big players - and the transfer of a vast sum of money that left the London office penniless

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It is from Ravi Mattu, global head of research at Lehmans on Wall Street, and it says: "I am extremely pleased to announce that for the ninth year in a row, Lehman Brothers' fixed income research team is ranked number one in the annual institutional investor survey of 1,330 professionals at 490 institutions.

This achievement is the direct result of a team effort and I want to congratulate the entire fixed income division for this tremendous honour." At first Robert, 36, a father of three who lives in Chelsea and who would have earned $700,000 this year, shows me the email as an example of the "bizarre culture of denial" that has characterised the past few months at Lehmans. "I've heard of rearranging the deck chairs on the Titanic while it's sinking but not after the ship has already sunk," he says. "If it wasn't so sad, it would be pretty hilarious." Woken on Monday by a 4am text from a colleague in New York to say that Lehmans had filed for bankruptcy, Robert has watched his $200,000-worth of Lehman shares (half of last year's bonus) dwindle to less than a prawn sandwich. He is shocked at how badly things have turned out, he says when we meet outside the company's gleaming offices, but as the day progresses, his resentment at being left "rudderless" for so long "and now jobless" will turn to anger.

He and his colleagues now know that the New York subsidiary of Lehmans is doing a deal with Barclays Bank to save its broker/dealer operation. "This is the disgusting bit," he says, "it has been done at the expense of Lehmans in London." What does he mean? According to Robert, billions of dollars disappeared from

Lehmans' London bank account over the weekend. On Fridays, he explains, London typically transfers billions to New York and is issued with a portfolio of assets in return. "It's a standard intercompany transfer that happens every Friday to fund the US assets over the weekend and every Monday the trade is reversed," says Robert.

This Monday, he says, was different.

"The money was not returned to our bank account from the US and all we were left with was a bunch of useless assets. Nobody can tell us where it has gone. What we do know is that the money disappeared on Friday night and did not come back into our account on Monday morning. That is why the administrators came in on Monday and found no cash and said they probably can't pay our September salaries.

" People were surprised, because a few days before we had over $ 5billion in our bank account, now we suddenly couldn't even afford the $ 150 million September salary bill."

FROM a legal perspective, the reason the money was not returned is straightforward: late on Sunday night, Lehman declared bankruptcy and as such all assets were frozen pending the liquidators.

But according to Robert and his colleagues, questions are being asked about the "fortuitous Sunday night timing" of the bankruptcy announcement "at least as far as the US subsidiary of Lehmans is concerned".

"A few hours later and those billions would have been back in London, making the London subsidiary cash-rich and a more attractive takeover target to potential suitors like Barclays than the hitherto cash-poor dealer parts of the US subsidiary," says Robert.

"Most of the 4,500 London employees of Lehmans have no idea that we might have been sold down the river by our New York colleagues but those who do know are extremely upset. It's like we've been stabbed in the back.

"The consequences could be grave. It could be a huge legal issue, setting London Lehman employees against their New York colleagues. But it goes beyond who gets paid their September salaries. This is billions we're talking about, billions that have been moved overnight out of the UK to the US to the detriment of the British economy, and which might have to be repatriated to London." Robert, whose name has been changed at his request to protect his identity and who was headhunted to join LehmanS from another City bank two years ago, says that since thunder clouds began gathering over his company some five months ago, the top brass have attempted to keep middle management like him in the dark.

"Lehman is run by a very tight group of people who never consulted with us and hardly bothered to come to London.

We called Richard Fuld [the chief executive officer nicknamed The Gorilla because of his obsession with weight lifting] the invisible man because he never put in an

appearance.

And when the big guns did come, like Kaushik Amin, global head of liquid markets, he told us nothing and showed no leadership." Robert recalls the morning meeting hosted by Amin a few weeks ago. "He addressed about 40 traders on the fourth floor and when he finished, the traders started telling him about other banks being reticent to trade with us and asking for reassurance as to our future.

He said: 'Everything is fine, we're the market leaders.' Then he rebuked the traders for not wearing ties on the trading floor at all times.

"In retrospect you wonder: was he blinded by arrogance? Was he in denial? How could he tell us off for not wearing a tie at a time when the bank was going under?" The first rumours of rain, Robert says, came in May this year when Lehmans posted its second quarter results showing losses of $2.8 billion, "the first time the bank had experienced negative earnings".

"It showed that our micro-hedge strategy of hedging our bets against a collapsing property market by betting on interest rates falling had failed.

"Contrary to popular belief, the problem was not our exposure to the sub-prime market, which was acceptable, but rather our massive $85 billion investment in the commercial property market which had suffered the knockon effect of the precipitous collapse in the residential housing market.

"The losses caused a great deal of anxiety inside the firm, and speculation from other bankers, that we were about to go the way of Northern Rock and it meant that some other banks didn't want to trade with us any more.

"The response by the top brass was to get us managers to go out and see clients to tell them it was 'just a blip' and that 'Lehmans was very much in business'.

"But one by one, clients that had been trading with us for years started to make excuses and shy away from any exposure to us." As confidence drained away, Jeremy Isaacs, chief executive of Lehmans in Europe, the Middle East and Asia, arranged for a Q& A session last June to calm his employees' nerves. There was only room for director level and above as 200 bankers crammed into Lehmans' ground floor auditorium.

"Isaacs told us that some bad decisions had been made but he pinned it on two individuals operating officer Joe Gregory and the chief financial officer Erin Callan who had both since been fired and he said that everything was going to be fine.

"His mood was a mixture of confidence and arrogance and he succeeded in reassuring many of us that it was inconceivable the bank would fail. At that stage, we knew there was a hole in the hull but none of us except perhaps Jeremy had any idea just how large it was." For months the bank limped on, trying to implement a new strategy of raising fresh capital and turning away from real estate towards a commission-based income model. The former led to failed talks with the Korean

Development Bank, the latter foundered because of speculation as to mounting third quarter losses that caused clients to shy away.

For Robert, it was a confusing time.

His own division, he says, had an incredible year and posted record profits for the second year running. "In our section, we were making hundreds of millions for the bank. It was hard to keep reminding ourselves about the bleak bigger picture."

Three weeks ago, staff were informed of the new "good bank, bad bank" strategy, whereby the toxic commercial real estate assets were to be hived off into a separate company and the good profitable bits kept in Lehman Brothers.

Last week the market responded to this strategy, along with the announcement of third quarter losses of $3.9 billion, by knocking 45 per cent off the value of the shares. From a high of $60, the shares were worth just $7.79.

"At that point, the atmosphere inside our Bank Street office was frantic. We knew there was no longer a strategy and that what we desperately needed was a buyer to bail us out." Nevertheless, says Robert, even as late as Friday night, he felt 100 per cent convinced that Lehmans would survive and that Barclays or Bank of America would buy it out. "I would have bet anything on it. I went to bed on Sunday night fully expecting to go in for business as usual on Monday." Is he worried about his future? "Yes," he says. "Although I live frugally compared to your typical banker, I have three young children at private schools.

My wife and I sat up last night working out that we have enough money to survive for six months. It won't be easy getting a job in the current conditions.

Some of my colleagues have already been out interviewing today but nobody I know has had any luck.

"There was a lot of stress in the building on Monday with some people angrily packing their belongings in boxes and leaving. Today it's quieter. I came in late after taking my seven-yearold son to school. He wanted to know why I was taking him, because I never do. I said: 'Because I've lost my job.' He said: 'Good, maybe now I'll see more of you.' His perspective helped take the edge off, I suppose.

"But then I saw a colleague who has been at the bank a long time and who has lost $10 million all his bonuses, vested in shares, are now worth nothing. I think we're all beginning to understand that banking is a risky business.

Sometimes you hit the bar, and sometimes the bar hits you.

"Right now, although there are a lot of bankers with very sore heads, we are determined to get to the bottom of what's happened to the billions of dollars that were transferred late on Friday to New York and that were never returned to London."

---- INDEX REFERENCES ----

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